

DOCKET NO. 2002-204-E - ORDER NO. 2002-499

IN RE: Application of Carolina Power & Light) ORDER GRANTING
Company for Authority to Issue Securities) AUTHORITY TO ISSUE
Pursuant to 364-Day Revolving Credit) SECURITIES
Agreement.) PURSUANT TO 364-DAY
) REVOLVING CREDIT
) AGREEMENT

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The names and post office address of its attorneys are Len S. Anthony and Patricia Kornegay-Timmons, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a corporation organized and existing under the laws of the State of North Carolina, and authorized to do business in South Carolina. Its principal office is located at 410 S. Wilmington Street, Raleigh, North Carolina, 27601. The Company is primarily engaged in the business of generating, transmitting, delivering and furnishing electricity to the public for compensation.

2. The Company's capital stock outstanding at March 31, 2002 consisted of Common Stock with a stated value of \$1,914,999,000 and Preferred Stock with a stated value of \$59,334,000. As of March 31, 2002, the retained earnings of the Company were \$1,266,019,000.

The Company's existing long-term debt at March 31, 2002, amounted to principal amounts of \$2,507,800,000 in First Mortgage Bonds and \$695,278,000 in other long-term debt, including \$504,465,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by W. T. Cunningham, who presently is acting as Individual Trustee, as supplemented by seventy-one Supplemental Indentures.

3. The Company currently maintains two revolving credit agreements totaling \$575,000,000—one is a \$200,000,000 364-day agreement, the other a \$375,000,000 5-year agreement. The revolving credit agreements provide back-up liquidity for the Company's lower-cost commercial paper program. The Company proposes to negotiate and enter into a 364-day Revolving Credit Agreement (the "364-Day RCA") with Citibank, N.A. ("Citibank") as agent for certain Lender banks, in order to realign the size of the Company's existing credit facilities, and to meet the Company's continuing short-term capital needs arising in connection with the provision of electricity and related services to the Company's customers. The terms and conditions of the 364-Day RCA

are set forth in the Commitment Letter, and in the Summary of Terms and Conditions, substantially in the forms attached to the Application as Exhibit A and Exhibit B, respectively. The amount of the 364-Day RCA is up to \$287,500,000. The 364-Day RCA will have an initial term of 364 days, and can be renewed for additional 364-day periods. If there is no default under the 364-Day RCA, the Company will have the option to convert the revolving credit facility into a one-year term loan. Under the 364-Day RCA, the Company will have the option of two different interest rates per annum on any borrowings, as set forth on page 3 of Exhibit B and the Pricing Grid attached to the Application.

4. The Company estimates that it will incur expenses of approximately \$250,000 in connection with the negotiation and execution of the 364-Day RCA. Additionally, the Company will be charged a facility fee which can range from 10 basis points to 30 basis points based upon the ratings of the Company's long-term, unsecured, senior, non-credit enhanced debt by Standard & Poor's or Moody's in accordance with Exhibit B and the Pricing Grid attached to the Application.

5. Pursuant to Order 91-72 issued in Docket No. 91-032-E, the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company has responded to each of those questions as follows:

- a. The Company's Consolidated Financial Statements as of December 31, 2001, and Consolidated Interim Financial Statements as of March 31, 2002 are attached to the Application as Exhibit C and Exhibit D, respectively. The Company's Pro Forma Consolidated Balance Sheet and

Pro Forma Consolidated Income Statement showing the impact of the proposed revolving credit facilities on the Company are attached to the Application as Exhibit E. The pro forma data indicates that the revolving credit agreements will not materially impact the Company's Consolidated Financial Statements.

- b. No funds will be generated to the Company as a result of the proposed revolving credit facility. The 364-Day RCA itself, however, is an essential element of the Company's commercial paper borrowing program since it provides back-up liquidity for this program and other short-term obligations. The Company's rating agencies require such backup facilities in order to maintain the ratings on the Company short-term obligations.
- c. If the authority to issue securities pursuant to the 364-Day RCA is delayed or not approved, the Company's access to low-cost commercial paper will be impaired. The 364-Day RCA is intended to provide back-up liquidity for the Company's issuances of commercial paper or other short-term obligations. Such low-cost debt generally is only available to debtors in the financial markets if they provide creditors with some sort of back-up liquidity for the debt. The Company uses commercial paper to fund its day-to-day operations. Thus, any impairment of the Company's ability to issue commercial paper will increase the Company's borrowing costs, and therefore, its cost of service.
- d. The information regarding the expected rate of interest is provided in

Paragraph 3 of the Application.

- e. Entering into the 364-Day RCA will enable the Company to access the lower-cost commercial paper market rather than having to rely on higher cost debt to fund its day-to-day operations. Information regarding the expected costs of the 364-Day RCA is provided in Paragraph 4 of the Application.
- f. The impact of the proposed transaction on the Company's capital structure is nominal, as commercial paper supported by a long-term bank facility may be classified as long-term debt on the Company's Consolidated Balance Sheet.

6. Approval of the Application does not bind the Commission as to ratemaking treatment of the contemplated issuance.

7. This Order shall not, in any way, affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications or changes with respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the proposed issuance of securities pursuant to the 364-Day Revolving Credit Agreement:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;

- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its public service; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.


IT IS THEREFORE ORDERED THAT:

1. The Company is authorized, empowered and permitted to enter into the 364-Day RCA as described in the Company's Application, to issue securities in the form of commercial paper and other short-term financing pursuant to the 364-Day RCA at such times as the Company desires to borrow funds pursuant to the 364-Day RCA, and to execute and carry out such instruments, documents and agreements as shall be necessary or appropriate in order to effectuate the transactions contemplated by the 364-Day RCA.
2. The terms and conditions of the 364-Day RCA are approved in substantially the form described in the Company's Application; and
3. The Company is hereby authorized, empowered and permitted to make minor modifications and amendments to the 364-Day RCA as the Company and the participating Lender banks deem necessary from time to time; provided, however, that in no event shall the Company amend the 364-Day RCA to increase the amount of the total commitment without the prior approval of this Commission.

4. This Order shall not in any way affect or limit the right, duty or jurisdiction of the Commission to further investigate and order revisions, modifications or changes with respect to any provision of this Order in accordance with the law, nor shall this Order dictate the ratemaking treatment of this transaction by the Commission.

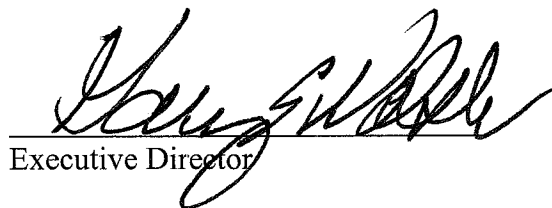
5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Chairman

ATTEST:



Executive Director

(SEAL)